

Annual Report
CANADA NORTHERN POWER
CORPORATION
LIMITED



Year ended
DECEMBER THIRTY-FIRST
1942

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McGILL UNIVERSITY

CANADA NORTHERN POWER CORPORATION, LIMITED

Montreal, Que., March 4th, 1943.

TO THE SHAREHOLDERS:

Your Directors herein submit their report on the operations of your Company for the year ended December 31st, 1942.

It will be seen by reference to the comparative statement of operations, which covers the past five years, that net earnings show a slight reduction from those of the previous year, the result of war conditions.

Regular dividends on the 7% Cumulative Preferred Stock and dividends amounting to 60 cents per share on the no par value Common Stock were paid out of earnings for the year.

Power Demand As a result of the loss of the Noranda contract to the Quebec Streams Commission, mentioned in last year's report, and the partial curtailment of gold production occasioned by the war, there was a decrease in power output during the year from 731,328,765 kilowatt hours to 630,134,621 kilowatt hours, which effected a similar reduction in the quantity of Purchased Power bought by the Company. The number of customers declined from 25,935 at December 31st, 1941, to 23,344 at the end of 1942, as a result of the transfer of mine workers to war supply centres.

Construction Activities The only construction operation undertaken during the year was the doubling of the capacity of the distribution line from Noranda Substation to the property of the Waite-Amulet Mines in Duprat Township in north-western Quebec, a distance of about six miles.

New Power Customers The curtailment of gold production, with the object of releasing men and essential war materials to facilitate the prosecution of the war, has prevented the opening up of new operations. Consequently, the only new power customer secured by the Company was the Wartime Metals Corporation, under whose auspices the Lacorne Mine in the Siscoe region of northern Quebec, which has a large molybdenite deposit, and the Hollinger Consolidated Gold Mines' Kamiskotia copper properties in the Porcupine area of Ontario are being developed

to provide needed base metals for war purposes.

Merchandise Department Sales of electrical appliances and supplies during the year amounted to \$89,140.

Taxation The continued increases in taxation not only present an ever-growing problem in the conduct of your Company's business, but also demonstrate the gross injustice of the discrimination effected by the principle of tax exemption for publicly-owned utilities. This is particularly evident when wartime governmental dictation with respect to rates, combined with price ceilings, places an inflexible limit to earnings, while pyramided taxes, from which government-owned utilities are free, unduly penalize both shareholders and customers.

The following table, showing the amounts paid under the head of taxes in proportion to the business of the Company for the past ten years, illustrates the growing heavy burden the item of taxation imposes:

Year	Taxes	Gross Earnings	Percentage
1933	\$394,467	\$3,690,284	10.6%
1934	437,045	4,166,303	10.4%
1935	477,955	4,418,488	10.8%
1936	517,429	4,572,817	11.3%
1937	538,543	4,985,680	10.8%
1938	546,607	5,146,006	10.6%
1939	543,891	5,265,054	10.3%
1940	693,066	5,020,464	13.8%
1941	807,785	4,994,176	16.2%
1942	772,270	4,540,196	17.0%

The above figures do not include several miscellaneous taxes, among which are: tax on gasoline, licenses for automobiles and trucks, meter inspection taxes, tax on telephone bills, sales tax (Federal and Municipal), tax on meals, tax on railway fares, customs duties, nor \$57,946 this year for the 8% Federal and the 2% Provincial (Quebec) tax on electric light bills.

Rates It will be seen by a comparison of the total kilowatt hour output of the Company with its gross electric revenue that the cost of power to its customers, when the item of taxation is taken into consideration, is as low as the cost of power to the customers of any organization furnishing similar service on this continent, whether privately or publicly owned. Our shareholders will be interested in knowing that we receive seventy-two one-hundredths of a cent per kilowatt

hour, which figure, after deducting taxes totalling \$772,270, is reduced to fifty-nine one-hundredths of a cent per kilowatt hour.

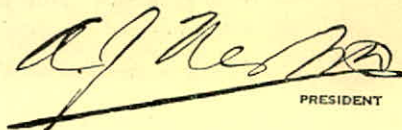
Plants and Properties The plants and properties of the Company have been maintained in excellent condition, and are at present at a high standard of efficiency.

Employees Looking towards the financial security and welfare of its employees, your Company carries Group Insurance on all its employees, which includes life insurance and accident and sickness benefits, hospitalization expense benefits, and surgical operation benefits. In addition, your Company has inaugurated a non-contributory pension scheme for its employees.

Your Directors desire to record their appreciation of the loyal and efficient services of the employees of the Company.

The Annual General Meeting of the Shareholders of your Company will be held at Room 103, 355 St. James Street West, in the City of Montreal, on Tuesday, the 23rd day of March, 1943, at 3 o'clock in the afternoon.

Respectfully submitted on behalf of the Board.



PRESIDENT

CANADA NORTHERN POWER AND SUBSIDIARIES

Consolidated Balance Sheet

ASSETS	1942	1941
Plant Investment:		
Properties, Plant and Equipment, Franchises, Organization, etc., at cost less net adjustments arising as a result of consolidation..	\$35,241,290.27	\$35,190,457.29
Cash in Banks.....	\$ 1,026,759.26	\$ 321,206.59
Investments:		
Marketable Securities— (Market Value—\$1,145,482.00).....	\$1,270,790.18	
Bonds of the Corporation held by Subsidiary Com- pany (Par Value \$1,060,000.00).....	1,087,400.00	
Other Securities at book value.....	384,084.24	
	2,742,274.42	2,797,307.62
Notes Receivable.....		12,000.00
Accounts Receivable including accrued revenue.....	367,766.21	468,242.06
Due from Employees on purchase of Victory Bonds.....	6,833.26	
Merchandise and Maintenance Supplies— Inventories as shown by book records, valued at not more than cost as certified to by responsible officers of the Company. Book records are adjusted periodically to agree with physical inventories.....	266,392.25	274,310.79
	\$ 4,410,025.40	\$ 3,873,067.06
Montreal Trust Company—Bond Redemption Account.....		1,304.50
Bonds of the Corporation purchased in anticipation of Sinking Fund requirements—Par value.....	476,500.00	608,000.00
Prepaid and Deferred Charges.....	78,081.35	61,563.49
Approved on behalf of the Board:		
A. J. NESBITT JAS. B. WOODYATT } Directors.	\$40,205,897.02	\$39,734,392.34

Auditors' Report

We have made an examination of the books and accounts of Canada Northern
1942, and have obtained all of the information and explanations which we have
We report that, in our opinion, the above Consolidated Balance Sheet and r
properly drawn up so as to exhibit a true and correct view of the combined affa
the year ended that date according to the best of our information and the expl

Montreal, February 19, 1943.

ER CORPORATION, LIMITED

RY COMPANIES

et as at December 31, 1942

LIABILITIES

TO THE PUBLIC:	1942	1941
Funded Debt:—		
Collateral Trust 5% Sinking Fund Gold Bonds		
Series "A," due 1953.....	\$17,000,000.00	
LESS:		
Redeemed and cancelled to date by Sink-		
ing Fund.....	2,970,000.00	
	<u>\$14,030,000.00</u>	<u>\$14,304,500.00</u>
Accounts Payable and Accrued Liabilities.....	178,471.08	203,510.92
Provision for Taxes—Balance.....	337,773.80	473,285.21
Bond Interest accrued including provision for		
exchange.....	125,267.82	126,697.23
Subsidiary Companies Dividends Payable.....	17,649.88	18,725.80
Preferred Dividend Payable.....	96,250.00	96,250.00
Common Dividend Payable.....	60,000.00	60,000.00
Customers' Deposits including interest.....	204,409.90	216,069.98
	<u>1,019,822.48</u>	<u>216,069.98</u>
	<u>\$15,049,822.48</u>	<u>\$15,499,039.14</u>
TO THE PUBLIC SHAREHOLDERS OF SUBSIDIARIES:		
Capital Stock:		
6% Cumulative Convertible Preferred Shares of \$100.00 each—		
(Redeemable at \$110.00 and accrued dividend after 60 days		
notice).....	1,141,900.00	1,190,900.00
Common Shares of No Par Value.....	196,329.99	197,998.04
Minority Shareholders' Interest in Surplus of Subsidiaries.....	2,347.38	1,906.34
TO THE SHAREHOLDERS—CANADA NORTHERN POWER CORPORATION, LIMITED:		
Capital Stock:		
7% Cumulative Preferred Shares of \$100.00 each (Redeemable		
at \$110.00 and accrued dividend after 30 days notice).		
Authorized.....	75,000 shares	
Issued.....	55,000 shares	5,500,000.00
Common Shares of No Par Value:		
Authorized.....	500,000 shares	
Issued.....	400,000 shares	2,148,796.00
Reserves:		
Depreciation.....	13,254,134.00	12,468,673.30
Bad Debts.....	37,745.40	41,753.24
Miscellaneous.....	160,204.97	148,807.36
Surplus—Balance as at December 31, 1942.....	2,714,616.80	2,536,518.92
	<u>\$40,205,897.02</u>	<u>\$39,734,392.34</u>

to the Shareholders

Power Corporation Limited and its Subsidiaries for the year ended December 31, required. Related Consolidated Statements of Surplus and of Income and Expenditure are of the Companies at December 31, 1942, and the results of their operations for nations given to us and as shown by the books of the Companies.

P. S. Ross & Sons,
Chartered Accountants.

CANADA NORTHERN POWER CORPORATION, LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement of Income and Expenditure
For the Year Ended December 31, 1942

Gross Earnings from Operations.....		\$4,469,884.07
DEDUCT:		
Operating Expenses.....	\$1,752,030.75	
Directors' Fees.....	14,650.00	
Executive Officers' Salaries.....	28,198.00	
Legal Fees.....	1,726.70	
Contributions to Pension Fund.....	25,000.00	
Provision for Bad Debts.....	5,139.93	1,826,745.38
Net Operating Profit before interest, depreciation and income and excess profits taxes.....		2,643,138.69
Income from Investments.....		70,312.68
		<u>\$2,713,451.37</u>
DEDUCT:		
Interest on—Bonds including exchange—net.....	\$ 700,805.93	
—Customers' Deposits.....	7,288.51	
Provision for—Depreciation.....	732,000.00	
—Income and Excess Profits Taxes.....	498,729.18	1,938,823.62
Net Income for the year transferred to Surplus.....		<u><u>\$ 774,627.75</u></u>

Consolidated Statement of Surplus
For the Year Ended December 31, 1942

Balance at Credit—January 1, 1942.....		\$2,536,518.92
ADD:		
Investment Revenue and miscellaneous adjustments pertaining to previous financial periods—net.....		99,781.05
		<u>\$2,636,299.97</u>
Net Income for the year transferred from Consolidated Statement of Income and Expenditure.....	\$ 774,627.75	
Profits from sale of securities—net.....	\$13,545.44	
LESS:		
Amount transferred to Investment Reserve.....	13,545.44	774,627.75
		<u>\$3,410,927.72</u>
DEDUCT:		
Dividends on—		
Capital Stock of Subsidiaries held by the Public—		
Preferred.....	\$ 69,168.00	
Common.....	2,142.92	
	<u>\$ 71,310.92</u>	
7% Cumulative Preferred Stock.....	385,000.00	
Common Stock.....	240,000.00	696,310.92
		<u><u>\$2,714,616.80</u></u>
Balance at Credit—December 31, 1942.....		<u><u>\$2,714,616.80</u></u>

This is the statement referred to in our accompanying Report dated February 19, 1943.

P. S. ROSS & SONS,
Chartered Accountants.

CANADA NORTHERN POWER CORPORATION, LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Operating Statement

For Years Ending December 31st

	1938	1939	1940	1941	1942
Electric Revenue.....	\$5,052,287	\$5,166,160	\$4,921,871	\$4,889,766	\$4,403,934
(B) Miscellaneous Revenue.....	93,719	98,894	98,593	104,410	136,262
Gross Revenue.....	5,146,006	5,265,054	5,020,464	4,994,176	4,540,196
Purchased Power.....	912,580	1,119,379	1,075,276	1,046,425	683,844
Operation.....	722,452	717,607	715,213	729,160	725,678
Maintenance.....	123,383	128,792	123,440	122,380	113,542
Taxes (Excluding Income and Profits).....	285,802	287,334	290,978	285,316	273,541
Total Operation, Maintenance and Taxes.....	2,044,217	2,253,112	2,204,907	2,183,281	1,796,605
Net Earnings.....	3,101,789	3,011,942	2,815,557	2,810,895	2,743,591
Bad Debts.....	5,055	5,164	4,925	4,891	5,140
Interest.....	780,995	802,231	827,538	772,182	708,094
Depreciation.....	728,000	725,000	733,000	720,000	732,000
Employees' Pension Fund.....				25,000	25,000
Bond Redemption Expense.....		11,701	5,537		
Total Deductions.....	1,514,050	1,544,096	1,571,000	1,522,073	1,470,234
Net Earnings after Deductions...	1,587,739	1,467,846	1,244,557	1,288,822	1,273,357
Income and Excess Profits Taxes.	260,805	256,557	402,088	522,469	498,729
Surplus for Year.....	1,326,934	1,211,289	842,469	766,353	774,628
(A) Surplus brought forward.....	2,028,586	2,379,501	2,624,073	2,613,074	2,636,300
	3,355,520	3,590,790	3,466,542	3,379,427	3,410,928
Preferred Dividends Paid.....	457,126	457,126	457,126	456,958	454,168
Common Dividends Paid.....	493,034	490,394	436,700	323,502	242,143
	950,160	947,520	893,826	780,460	696,311
Surplus Carried Forward.....	<u>\$2,405,360</u>	<u>\$2,643,270</u>	<u>\$2,572,716</u>	<u>\$2,598,967</u>	<u>\$2,714,617</u>
Sinking Fund Instalments Paid...	<u>\$ 243,575</u>	<u>\$ 255,350</u>	<u>\$ 279,375</u>	<u>\$ 291,775</u>	<u>\$ 304,825</u>
Customers Connected.....	22,568	25,209	25,882	25,935	23,344
Shareholders.....	4,000	3,998	4,031	4,064	4,012
Kilowatt Hour Output.....	<u>700,848,611</u>	<u>749,904,042</u>	<u>742,829,599</u>	<u>731,328,765</u>	<u>630,134,621</u>

(A) Adjusted for prior year charges.

(B) Miscellaneous Revenue includes compressed air gross earnings, merchandise net profits and earnings from investments, etc.

OFFICERS

President

A. J. NESBITT, Montreal

Vice-President

JAS. B. WOODYATT, Montreal

Vice-President and General Manager

B. V. HARRISON, New Liskeard

Directors

F. O. BLACKWELL.....	New York
B. V. HARRISON.....	New Liskeard
L. C. HASKELL.....	Montreal
DAN. McLACHLIN.....	Arnprior
A. J. NESBITT.....	Montreal
ALFRED H. PARADIS.....	Montreal
JOS. SIMARD.....	Montreal
P. A. THOMSON.....	Montreal
JAS. B. WOODYATT.....	Montreal

Secretary

L. C. HASKELL

Treasurer

T. IRVING

Assistant Secretary

V. J. NIXON

Assistant Treasurer

E. L. JOWETT

Assistant Secretary-Treasurer

H. A. SEYMOUR

Fiscal Agents

NESBITT, THOMSON & COMPANY, LIMITED

Auditors

P. S. ROSS & SONS

Transfer Agents and Registrars

MONTREAL TRUST COMPANY, MONTREAL, P.Q. AND TORONTO, ONT.

Head Office

355 ST. JAMES STREET WEST
MONTREAL
CANADA